

PUBLIC DISCLOSURE

November 1, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EAST BOSTON SAVINGS BANK

**10 MERIDIAN STREET
EAST BOSTON, MA 02128**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **East Boston Savings Bank (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **November 1, 2005**. The Division evaluates performance in the assessment area(s) as they are defined by the institution rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding".

The Bank was evaluated utilizing the CRA Large Institution Examination Procedures, involving three tests: the Lending Test, the Investment Test and the Service Test. These tests were conducted to determine the Bank's overall CRA performance rating.

Under the Lending Test, East Boston Savings Bank is assigned an overall rating of Outstanding. The Bank's lending was well distributed throughout the assessment area. The Bank's distribution of home mortgage and small business loans among the various census tracts was excellent. The Bank's distribution of its home mortgage loans among borrowers of different income levels was excellent given the assessment area's demographics and the comparison of all other Home Mortgage Disclosure Act ("HMDA") reporting lenders within the assessment area. The Bank continues to be an active community development lender and finances projects that create and preserve affordable housing in the community.

East Boston Savings Bank has an adequate level of qualified community development investments and grants. The Bank has exhibited a good responsiveness to credit and community economic development needs. Based on the review conducted under the Investment Test, the Bank's investment performance is rated Satisfactory.

The Bank has demonstrated an excellent level of community development service in its assessment area. The Bank's delivery systems are readily accessible to all portions of the assessment area. The Bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Based upon these findings, the Bank is granted a rating of Outstanding with regards to the Service Test.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS East Boston Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory			
Satisfactory		X	
Needs to Improve			
Substantial Non-Compliance			

* Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

East Boston Savings Bank, a subsidiary of the bank holding company Meridian Financial Services, Inc., is an \$800,323,000 state chartered mutual savings bank founded in 1848 and headquartered in East Boston, Massachusetts. In addition to the main office located at 10 Meridian Street, the Bank operates eight full service branches and one loan and mortgage center. Four branches can be found in the following cities: Melrose, Peabody, Revere, and Winthrop. Two branches are located in East Boston, and two branches are located in Saugus. The loan and mortgage center is located in Lynnfield. Each of the full service facilities has at least one Automatic Teller Machine (ATM) onsite. The Bank also has three free standing non-deposit ATMs, two of which are located in East Boston and one in Winthrop. The mortgage loan center is located in an upper-income census tract while three branches in East Boston are in a moderate-income census tract. The remaining branches are designated in middle-income census tracts. During the examination period East Boston Savings Bank has closed one location, the North End Loan Center in Boston, and opened two new branches in Peabody and Melrose.

As of its June 30, 2005 Federal Deposit Insurance Corporation ("FDIC") quarterly call report, East Boston Savings Bank had \$800,323,000 in assets. As of the same date, the institution reported net loans of \$458,788,000, total deposits of \$653,784,000, and equity capital of \$102,124,000. Refer to the following table for the distribution of the Bank's loan portfolio.

Loan Type	Amount (\$ 000s)	Percent
1-4 Family Residential Real Estate	198,445	43.3%
Commercial Real Estate	156,127	34.0%
Construction and Land Development Real Estate	59,186	12.9%
Multi-Family Residential Real Estate	18,904	4.1%
Equity Lines of Credit	15,740	3.4%
Commercial and Industrial	11,253	2.5%
Loans to Individuals	869	.2%
Other Loans	0	0%
Less: Unearned income Loans	(1,736)	(0.4)
Total	\$ 458,788	100.0%

Source: June 30, 2005 Consolidated Report of Condition.

An analysis of the Bank's current loan portfolio indicates that approximately 43.3 percent of the Bank's loan portfolio consists of 1-4 family residential real estate followed by non-farm nonresidential real estate with 34.0 percent and construction and land development real estate with 12.9 percent. East Boston Savings Bank sells loans to the secondary market, primarily to the Federal Home Loan Bank ("FHLB") and to Fannie Mae. In 2002, the Bank sold 175 loans totaling \$28,369,400 to the FHLB. In 2002, 2003, 2004 and year-to-date September 30, 2005, the Bank sold 646 loans totaling \$105,523,691 to the FHLB. Additionally in 2004, the Bank sold 24 loans totaling \$3,345,613 to Fannie Mae.

PERFORMANCE CONTEXT (CONTINUED)

The Bank continues to offer a variety of loan products that include first-time homebuyer residential mortgage programs; other conventional residential mortgages; jumbo residential mortgages; consumer loans; and numerous commercial real estate and commercial loan products.

The Bank offers a selection of deposit, loan, and special services geared toward its business and commercial customers. A variety of checking and savings account services are available. Financing for business and commercial customers include, but are not limited to, lines of credit, letters of credit, working capital financing, and commercial mortgage and construction financing.

The Bank was last examined for compliance with CRA by the FDIC as of January 14, 2002 and by the Division as of January 22, 2002. Both examinations resulted in CRA ratings of Outstanding.

There are no financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. East Boston Savings Bank's ability to meet the community's credit needs remains positive, based on its asset size, product offerings, and branch network.

DESCRIPTION OF ASSESSMENT AREA

The CRA regulation requires a bank to designate one or more assessment area(s) within which its record of helping to meet the needs of its community will be evaluated. East Boston Savings Bank's assessment area includes 40 census tracts comprising six municipalities; East Boston, Revere, and Winthrop within Suffolk County, as well as Lynnfield, Peabody, and Saugus within Essex County in 2003. The Bank added a branch location in Melrose, Middlesex County, in 2004. Therefore, the assessment area now includes the municipality of Melrose for the year 2004. The assessment area, as currently defined, meets the technical requirements of the regulation, as it includes whole geographies and does not arbitrarily exclude low-or moderate-income areas or expand beyond state boundaries.

According to the 2003 data, the Bank's assessment area contains a total of 48,705 family households. Of those family households 1,615 (3.3 percent) are low-income; 17,287 (35.5 percent) are moderate-income; 22,802 (46.8 percent) are middle-income; and 7,001 (14.4 percent) are upper-income. The number of families that are below poverty level account for 3,684 or 7.5 percent of the total number of households that are families.

According to the 2004 data, the Bank's assessment area contains 55,806 family households which represent 65.5 percent of the total number of households in the assessment area. Of those family households 1,615 (2.9 percent) are low-income; 17,287 (31.0 percent) are moderate-income; 29,903 (53.6 percent) are middle-income; and 7,001 (12.5 percent) are upper-income.

PERFORMANCE CONTEXT (CONTINUED)

Please refer to the table below regarding other housing characteristics:

2003 Selected Housing Characteristics by Income Category of the Geography												
Geographic Income Category	Percentage											
	Census Tracts in Assessment Area		Households		Housing Units		Owner- Occupied		Total Population		Total Families	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	2	5.0	2,448	3.3	2,537	3.3	456	17.9	7,204	3.8	1,615	3.3
Moderate	16	40.0	28,248	38.1	29,443	38.5	11,157	37.8	71,739	37.8	17,287	35.5
Middle	18	45.0	34,797	46.9	35,793	46.7	23,163	64.7	86,314	45.5	22,802	46.8
Upper	4	10.0	8,637	11.7	8,793	11.5	8,268	94.0	24,491	12.9	7,001	14.4
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	40	100.0	74,130	100.0	76,566	100.0	43,044	100.0	189,748	100.0	76,566	100.0

Source: 2000 U.S. Census Data

2004 Selected Housing Characteristics by Income Category of the Geography												
Geographic Income Category	Percentage											
	Census Tracts in Assessment Area		Households		Housing Units		Owner- Occupied		Total Population		Total Families	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	2	4.4	2,448	2.9	2,537	2.9	456	0.9	7,204	3.3	1,615	2.9
Moderate	16	35.5	28,248	33.2	29,443	33.5	11,157	22.1	71,739	33.1	17,287	31.0
Middle	23	51.1	45,768	53.8	47,041	53.5	30,528	60.6	113,448	52.3	29,903	53.6
Upper	4	8.8	8,637	10.1	8,793	10.1	8,268	16.4	24,491	11.3	7,001	12.5
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	45	100.0	85,101	100.0	87,814	100.0	50,409	100.0	216,882	100.0	55,806	100.0

Source: 2000 U.S. Census Data

PERFORMANCE CONTEXT (CONTINUED)

Change in MSA for 2004

The Office of Management and Budget ("OMB") revised its Standards for Defining Metropolitan and Micropolitan Areas in December 2000 under the Metropolitan Area program. In June 2003, OMB defined new metropolitan statistical area ("MSA") boundaries, which were then updated and became effective January 2004. The application of OMB's 2000 standards resulted in some census tracts changing income levels without any real change in economic conditions within the tracts. In part, these changes are the result of different criteria used by OMB in setting the 2000 standards and, subsequently, the MSA/Metropolitan Division boundaries that impact 2004 data.

As a result of the OMB revision, and the addition of the community of Melrose, changes to the census tracts between 2003 and 2004 are as follows:

Change in MSA Tracts					
Census Tracts	2003 Census Data		2004 Census Data		Change in Number of Census Tracts
	#	%	#	%	
Low	2	5.0	2	4.4	0
Moderate	16	40.0	16	35.6	0
Middle	18	45.0	23	51.1	5
Upper	4	10.0	4	8.9	0
NA	0	0.0	0	0.0	0
Total	40	100.0	45	100.0	5

As shown above, the Bank's assessment area contains 45 census tracts: 2 (4.4 percent) are low-income, 16 (35.6 percent) moderate-income, 23 (51.1 percent) are middle-income and 4 (8.9 percent) are upper-income.

Income

The median family incomes for the Boston-Quincy MSA in 2004 and 2005 were \$75,300 and \$76,400 respectively. In 2004 the median family incomes for the Essex County MSA was \$76,000. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Demographic information for the Bank's assessment area was obtained from data compiled by the 2000 U.S. Census as well as by the MSA boundaries established in January 2004. Information based on the newly revised MSA boundaries was used to evaluate the Bank's 2004 performance while the "older" boundaries were used to evaluate the Bank's 2003 performance.

PERFORMANCE CONTEXT (CONTINUED)

Unemployment figures were obtained for the assessment area. As of July 2005, the assessment area had an unemployment rate of 4.4 percent which is slightly lower than the statewide rate of 4.7 percent.

Community Contact Information

As part of the examination, community organizations are contacted by examiners to determine if there are any areas in need of assistance from local institutions, and to verify if the institutions are meeting the credit needs of the assessment area. These interviews also provide examiners with knowledge regarding the assessment area, its economic base, and community development initiatives.

Contacts indicated a need for financial literacy courses targeted to non-English speaking residents and recent immigrants. Additionally, comments relating to the need for development of additional affordable housing units; as well as the need to update and renovate the existing affordable housing stock in the assessment area were noted.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

East Boston Savings Bank's Lending Test performance was rated an overall "Outstanding." The institution's lending efforts are rated under seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The Bank has demonstrated an adequate level of HMDA reportable and small business lending within its assessment area. The penetration of lending in low- and moderate-income geographies as well as lending to businesses with annual revenues of less than \$1 million exceeded performance levels of the aggregate and demonstrates a strong willingness to meet the credit needs of small businesses in the assessment area. This rating is also based upon the Bank's performance levels of residential loans originated in low- and moderate-income census tracts as well as an excellent level of lending activity to low- and moderate-income borrowers. East Boston Savings Bank originated a good number of community development loans by providing financing for affordable housing, economic development, small businesses and community service organizations. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

Scope of Evaluation

A review of the Bank's HMDA-reportable loans, small business loans and community development loans was conducted during this examination. These loans were reviewed for the period of 2003, 2004 and year-to-date June 30, 2005. These time periods were used throughout this evaluation. Additionally, the evaluation includes all innovative and flexible lending activity over the same time period.

The data used to evaluate the Bank's lending was derived from the HMDA/Loan Application Register ("LAR"), small business loan register, and the Bank's community development loan register.

I. Lending Activity

As of June 30, 2005, the Bank had assets totaling \$800,323,000 as reported in the quarterly FFIEC Call Report. Over the last eight quarters, the Bank's assets have increased by \$42,353,000 or 6 percent. The following table details the net loan to asset ratios for the period under review.

East Boston Savings Bank - Net Loan-To-Asset Ratio	
September 30, 2003 through June 30, 2005	
September 2003	51.4%
December 2003	52.3%
March 2004	52.5%
June 2004	51.6%
September 2004	52.3%
December 2004	53.5%
March 2005	56.5%
June 2005	56.9%

Source: FFIEC Call Reports

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

The average net loan to asset ratio for the past eight quarters stood at 53.4 percent as of June 30, 2005. As indicated in the table above, there has been a steady increase in the net loan to asset ratio with one minor exception in the second quarter of 2004. It is also important to note that this ratio would be significantly enhanced when factoring in the sale of loans to the secondary market. The total asset size of the institution experienced a 6 percent increase for the eight quarter period, rising from \$757,970,000 as of September 30, 2003 to \$800,323,000 as of June 30, 2005.

A comparative analysis of the dollar amount for the Bank's net loans and deposits as of September 30, 2003 compared to that of June 30, 2005 was also performed. This analysis revealed that the net loan-to-deposit ratio has also risen from a low of 60.8 percent as of September 30, 2003 to a high of 69.7 percent as of June 30, 2005. As mentioned previously, East Boston Savings Bank sells some of its fixed rate loans to the secondary market, which in turn assists the institution to increase its overall funding of loan growth.

Residential Mortgage Lending

East Boston Savings Bank's LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 1,684 HMDA-reportable loans totaling \$357,696,000. Of this amount, 954 loans, or 56.7 percent of the number and \$184,860,000 or 51.7 percent of the dollar volume were originated in the Bank's assessment area.

Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2003	586	57.6	107,598	52.6	431	42.4	96,952	47.4
2004	239	58.7	48,830	53.1	168	41.3	43,153	46.9
2005	129	49.6	28,432	46.5	131	50.3	32,731	53.5
Total	954	56.7	184,860	51.7	730	43.3	172,836	48.3

Source: HMDA/LAR, CRA Wiz

As shown in the tables above, there has been a large decline in the volume of loans from 2003 to 2005. Additionally, loan originations in year-to-date 2005 indicate that less than a majority of loans have been originated inside the assessment area. The significant decline in originations since 2003 has been primarily due to near record low interest rates experienced in 2003 resulting in significant refinancing and new loan originations, and an increase in interest rates in 2004, which resulted in decreased loan demand. In 2003, East Boston Savings Bank ranked 6th out of approximately 413

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

HMDA reportable lenders in the assessment area with a 2.6 percent market share. In 2004, East Boston Savings Bank ranked 13 out of 375 lenders which gave them 1.5 percent of the market share. The top three lenders in the assessment area were Countywide Home Loans, GMAC Mortgage Corporation, and GMAC Bank.

Small Business Lending

The Bank's Small Business Loan Registers ("SBLR"s) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The Bank originated 130 small business loans totaling \$35,022,000 million during this examination period. A total of 63 loans totaling \$13,457 million were originated to businesses within the Bank's assessment area, representing 48.4 percent by number and 38.4 percent by dollar volume. Please refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2003	25	43.9	4,197	28.5	32	56.1	10,537	71.5
2004	27	52.9	6,841	45.9	24	47.1	8,060	54.1
2005	11	50.0	2,419	44.9	11	50.0	2,968	55.1
Total	63	48.5	13,457	38.4	67	51.5	21,565	61.5

Source: CRA Data Collection

As indicated in the above table, the Bank did not originate the majority of its small business loans by number or dollar amount within its assessment area. However, there appears to be an improving trend of originations within the assessment area whereby the majority was originated in the assessment area in 2004 and an even distribution exists in year-to-date 2005 figures.

Given the competitive environment in which the Bank operates, as well as the size and financial condition of the institution, the overall level of lending activity and responsiveness to the credit needs of its designated assessment area is considered to be good. Combined, the Bank originated a majority of its HMDA reportable mortgage loans and small business loans, both by number and dollar volume, within its designated assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

II. Geographic Distribution of Loans

Distributions by Census Tract Income Level

East Boston Savings Bank's HMDA reportable and small business lending reflects an excellent level of distribution within low- and moderate-income census tracts. The following information details the geographic distribution of the Bank's loans.

Residential Lending

HMDA-reportable loans located within the Bank's assessment area were further analyzed to determine location by census tract income level. The current assessment area is comprised of 45 census tracts: 2 or 4.4 percent are low-income; 17 or 37.8 percent are moderate-income; 24 or 53.4 percent are middle-income and 2 or 4.4 percent designated as upper-income according to 2000 census data using the new MSA boundaries.

The following table provides a breakdown, by number, of the Bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also shows the number of loans in comparison to the number of owner-occupied housing units in each census tract income category.

Distribution of HMDA Loans by Income Category of the Census Tract							
Census Tract Income Level	% Total Owner-Occupied Housing Units-2003	2003		2004		YTD 2005	
		#	%	#	%	#	%
Low	1.1	26	4.4	7	2.9	19	14.8
Moderate	25.9	280	47.8	122	51.1	36	27.9
Middle	53.8	255	43.5	98	41.0	45	34.9
Upper	19.2	25	4.3	12	5.0	28	21.7
NA	-	-	-	-	-	1	.7
Total	100.0	586	100.0	239	100.0	129	100.0

Source: U.S. Census, HMDA LAR, CRA WIZ

As shown in the above table, in 2003, 2004 and year-to-date 2005 the percentage of the Bank's loans made in low- and moderate-income census tracts exceeded the percentage of owner occupied units in those geographies. This indicates good penetration and strong willingness to lend in these areas. The significant decrease in the lending volume from 2003 to 2004 and year-to-date 2005 is indicative of the previously mentioned change in interest rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

The geographic distribution of the Bank's loans by census tract income category may also be compared to that of all other HMDA reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The following table shows the comparative analysis of performance levels between the aggregate and East Boston Savings Bank for calendar year 2003.

Distribution of HMDA Reportable Loans East Boston Savings Bank Compared to All Other Reporters								
Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	All Other Reporters		East Boston Savings Bank		All Other Reporters		East Boston Savings Bank	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	296	1.3	26	4.4	66,667	1.5	4,552	4.2
Moderate	5,988	26.8	280	47.8	1,227,902	26.8	51,943	48.3
Middle	13,769	61.7	255	43.5	2,700,140	58.9	45,996	42.8
Upper	2,264	10.2	25	4.3	591,261	12.8	5,107	4.7
Total	22,317	100.0	586	100.0	4,585,970	100.0	107,598	100.0

Source: 2003 HMDA Aggregate Data

As demonstrated above, East Boston Savings Bank's percentage of originations in low and moderate-income geographies outperformed aggregate performance levels. The Bank originated 4.4 percent of its HMDA reportable loans within low-income census tracts while originating 47.8 percent in the moderate-income census tracts. Comparative aggregate performance levels were 1.3 percent and 26.8 percent, respectively. Market share analysis for 2003 indicated that East Boston Savings Bank ranked 1st in originations in low-income geographies within its assessment area and 4th in moderate-income geographies. Additionally, 2004 market share reports indicate that the Bank continued high performance levels by being ranked 7th in originations in both low- and moderate-income tracts for that year. The geographic distribution of HMDA reportable loans demonstrates an excellent level of performance of lending to borrowers located within low- and moderate-income census tracts.

Small Business Lending

East Boston Savings Bank's small business loans were also analyzed to determine the distribution by census tract income level within its assessment area during the examination.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Distribution of Small Business Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Number of Small Businesses		2003		2004		YTD 2005	
			#	%	#	%	#	%
	2003	2004						
Low	3.2	2.7	1	4.0	3	11.1	1	9.1
Moderate	29.4	26.0	10	40.0	16	59.3	6	54.5
Middle	52.2	58.1	13	52.0	7	25.9	3	27.3
Upper	15.2	13.2	1	4.0	1	3.7	1	9.1
Total	100.0	100.0	25	100.0	27	100.0	11	100.0

Source: CRA data collection, CRA Aggregate Lending Data

This analysis indicates that East Boston Savings Bank originated 5 or 24.2 percent of its small business loans in low-income census tracts throughout the years 2003, 2004 and year-to-date 2005. The majority of the Bank's small business lending was concentrated in the moderate- and middle-income census tracts where the majority of businesses operate.

Aggregate information for 2003 indicated that East Boston Savings Bank outperformed the aggregate for percentage of loans originated within low- and moderate-income census tracts. The Bank originated 44 percent of its small business loans in those geographies while the aggregate originated 32 percent. This indicates a strong record of extending credit to small businesses within low- and moderate-income geographies.

Based on the above information, the Bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects an excellent level of penetration and strong record of performance.

III. Distribution of Loans by Borrower Income

East Boston Savings Bank has demonstrated an excellent level of lending to individuals and businesses of varying income levels. The following details the Bank's distribution of lending based upon borrower characteristics.

Residential Mortgage Lending

Borrowers' reported incomes were compared to the median family income of the Boston MSA) for 2003. The designation changed for 2004 and the examiners utilized the Boston-Quincy MA MSA. These income figures are based on estimated HUD information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

The following table shows the number of HMDA reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income									
Median Family Income Level	% Total Families	2003		2004		YTD 2005		Total	
		#	%	#	%	#	%	#	%
Low	27.3	101	17.2	35	14.6	19	14.8	155	16.2
Moderate	20.5	176	30.0	65	27.3	36	27.9	277	29.0
Middle	23.4	181	30.9	78	32.6	45	34.9	304	31.9
Upper	28.8	86	14.7	45	18.8	28	21.7	159	16.7
NA	-	42	7.2	16	6.7	1	0.7	59	6.2
Total	100.0	586	100.0	239	100.0	129	100.0	954	100.0

Source: U.S. Census, HMDA LAR

The Bank extended 155 loans to low-income borrowers representing 16.2 percent of total loans within the assessment area. This is well below the 27.3 percent of low-income households within the assessment area. However, there are mitigating factors present that account for this disparity such as competition, the percentage of people living below the poverty level who cannot afford to purchase a home, as well as the high cost associated with purchasing a home in the area which makes homeownership virtually impossible for many individuals in this income category. This is also supported by the fact that the aggregate data is also below the percent of low-income households within the assessment area, demonstrating further the difficulty in making loans in this income category.

In addition, the Bank extended 277 loans to moderate-income borrowers, representing 29.0 percent by number. The percentage of loans is higher than the 20.5 percent of moderate-income households within the assessment area.

The distribution of the Bank's loans among various borrower income levels may also be compared to that of all other HMDA reportable lenders in the assessment area. As previously mentioned, other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The following table compares the percentage of the Bank's originations to that of the aggregate for calendar year 2003.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Distribution of HMDA Reportable Loans East Boston Savings Bank Compared to All Other Reporters								
Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	East Boston Savings Bank		All Other Reporters		East Boston Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	101	17.2	1,698	7.6	11,868	11.0	219,673	4.8
Moderate	176	30.0	5,653	25.3	27,590	25.6	1,018,120	22.2
Middle	181	30.9	6,768	30.4	30,555	28.4	1,409,001	30.7
Upper	86	14.7	5,163	23.1	16,792	15.6	1,252,291	27.3
NA	42	7.2	3,035	13.6	20,795	19.4	686,885	15.0
Total	586	100.0	22,317	100.0	107,598	100.0	4,585,970	100.0

Source: 2003 HMDA Aggregate Data

The Bank's percentage of loans to low and moderate-income borrowers exceeded that of the aggregate. Additionally, the percentage of originations to middle-income borrowers also exceed the aggregate's performance.

East Boston Savings Bank ranked 4th in market share in lending to low and moderate-income individuals in the assessment area during 2003. The top three lenders to low and moderate-income borrowers within the Bank's assessment area for 2003 were Countrywide Home Loans, Washington Mutual and GMAC Mortgage Corporation. Market share analysis for 2004 indicates continued strong performance levels by East Boston Savings Bank, ranked 3rd in lending to low-income borrowers and 9th to moderate-income borrowers.

Given the above information, East Boston Savings Bank is doing an exceptional job of originating loans to applicants of various incomes, especially those of low and moderate-income.

Small Business Lending

The distribution of small business loans reflects excellent levels of lending to small businesses with gross annual revenues of less than \$1 million as well as loans originated in amounts of less than \$250,000.

Small business loans originated within the Bank's assessment area, during this period, were also analyzed to determine the distribution among businesses of various sizes. The vast majority of small business loans originated during this period was granted to small businesses whose annual revenues were \$1 million or less. The following tables depict the distribution of small business loans within the Bank's assessment area by revenues of the business.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Distribution of Small Business Loans by Gross Annual Revenues of Business								
Gross Annual Revenues (000s)	2003		2004		2005		Total	
	#	%	#	%	#	%	#	%
<= \$1,000	24	96.0	26	96.3	11	100.0	61	96.9
> \$1,000	1	4.0	1	3.7	0	0.0	2	3.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total	25	100.0	27	100.0	11	100.0	63	100.0

Source: CRA Data Collection

As shown above, 96.9 percent of the Bank's small business loans were made to businesses with gross annual revenues less than one million dollars.

The small business loans originated within the Bank's assessment area were further analyzed to determine the typical loan amount at origination. The majority of the small business loans originated in the Bank's assessment area, during this time period, had original loan amounts of \$250,000 or less. The following table depicts the distribution of small business loans within the Bank's assessment area by loan amount at origination.

Distribution of Small Business Loans by Loan Size								
Loan Size (000s)	2003		2004		YTD 2005		Total	
	#	%			#	%	#	%
<\$100	12	48.0	9	33.3	2	33.3	23	39.7
\$100-\$250	5	20.0	6	22.2	1	16.6	12	20.6
>\$250-\$1,000	8	32.0	12	44.4	3	50.1	23	39.7
Total	25	100.0	27	100.0	6	100.0	58	100.0

Source: CRA Data Collection

By dollar amount, 39.7 percent of the loans had amounts less than \$100,000 and 20.6 percent had loan amounts between \$100,000 and \$250,000. The remaining 39.7 percent had loan amounts greater than \$250,000.

Based on the information above, the Bank's lending to borrowers of different income levels, especially those of low and moderate-income, and businesses of various sizes with small business loans, especially the very small business loans reflects an excellent level of performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

IV. Community Development Lending

East Boston Savings Bank has granted a good level of qualified community development loans during this examination period. As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies.

During the evaluation period, January 22, 2002 through September 30, 2005, the Bank originated 17 loans totaling \$6,100,000 that meet the definition of community development. In addition, the Bank has a staff knowledgeable about the market and the types of funding sources required as well as being able to work in cooperation with multiple financing partners. In 2002, 2003 and 2004, East Boston Savings Bank extended two unsecured lines of credit to non-profit community development organizations. One was an annual renewal of a \$100,000 line of credit to a non-profit, private preparatory school located in East Boston. Students of this school are predominantly from East Boston, Revere, and Winthrop. The second was an annual renewal of a \$50,000 line of credit extended to a local non-profit community development organization. This organization provides such community development services as elderly and teen programs, day care, and summer camp programs for residents of East Boston. The following describes the rest of the community development loans originated and committed during the period under review.

Year 2002 – 5 loans - \$1,005,000

- A \$600,000 commercial refinance loan was made to a non-profit organization that operates a substance abuse mental health clinic. This organization provides all-day programs, workshops, youth programs, day care, early childhood services, and residential treatment to mentally challenged individuals primarily in the vicinity of East Boston.
- Two short-term loans were granted to a local Community Development Corporation (CDC) in the amounts of \$200,000 and \$55,000. These loans assisted in the financing of construction on a 15-unit development primarily for low-income, elderly residents of East Boston.
- Annual renewals of above stated lines of credit - \$100,000 and \$50,000 respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Year 2003 – 5 loans - \$3,880,000

- A \$3,250,000 commercial refinance loan to a non-profit organization that provides comprehensive primary and specialty care services to residents of East Boston and surrounding communities. The guarantor for this credit is a local CDC whose overall goal is to enhance the quality of life for low- and moderate-income residents through economic development activities. The facility provides live-in housing as well as transitional care for those with short-term healthcare needs.
- A short-term construction loan in the amount of \$400,000 was extended to a local CDC that has one of the longest histories of organizational commitment to community improvement and development within East Boston. Total costs of the project are \$1,100,000, and additional funding for the remaining \$700,000 was obtained from grants provided by various organizations. The property provides rehabilitation services to 24 individuals recovering from substance abuse and/or homelessness. The renovations and additions provide accommodations for 30 individuals.
- An \$80,000 line of credit to non-profit daycare provider located in East Boston. Services include daycare for preschool and toddlers, food and transportation. Partial funding provided through state and federal grants.
- Annual renewals of above stated lines of credit - \$100,000 and \$50,000 respectively.

Year 2004 - 4 loans - \$550,000

- An 18-month term loan for \$400,000 was extended to a local CDC to temporarily finance the acquisition of a commercial real estate property. The overall goal of the CDC is to enhance the quality of life for low-and moderate-income residents through economic development activities.
- Annual renewals of above stated lines of credit - \$100,000 and \$50,000 respectively.

Year 2005 - 3 loans - \$665,000

- A \$575,000 loan was granted to finance the acquisition of a commercial real estate property. Rental income from the subject property derives from the Revere Housing Authority in connection with HUD.
- Two \$20,000 short-term notes were granted to a non-profit, private preparatory school located in East Boston. Students of this school are predominantly from East Boston, Revere, and Winthrop.
- Annual renewal of above stated line of credit - \$50,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

V. Innovative or Flexible Lending Practices

East Boston Savings Bank makes good use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The Bank originated 125 loans totaling \$30,568,991 throughout the evaluation time period. The most activity was achieved through the Bank's in-house First-Time Homebuyer Programs whereby the Bank originated 63 loans totaling \$14,693,550.

The following highlights the various innovative and flexible loan programs offered by the institution:

EBSB First-Time Homebuyer Programs: The Bank offers five different in-house first time homebuyer programs, Plan 3, Plan 5, FXHB 5/3 ARM, FTHB 100 and the Fixed Bi-weekly FTHB.

- EBSB FTHB Plan 3 - A 3-year adjustable rate mortgage (ARM) product offered to applicants with a maximum annual income of \$75,000. This program offers flexible housing and debt-to-income ratios of 33/38, respectively, and is available for properties located in Suffolk, Essex, and Middlesex counties. The program requires a 20 percent down payment on a 1-3 family residence, and borrowers are charged ½ a point. The maximum loan amount for a single-family residence (including condominiums) is \$275,000, and \$351,900 for a 2-3 family residence.
- EBSB FTHB Plan 5 - A 5-year fixed rate mortgage program that converts to a 3-year ARM. This product is offered to applicants with a maximum annual income of \$75,000. A 5 percent down payment is required on a 1-2 family properties, and a 10 percent down payment is required on 3-family properties. The plan 5 is available for properties located in Suffolk, Essex, and Middlesex properties. Housing and debt-to-income ratios of 33/38, respectively, are required for 1-2 family properties, and ratios of 28/36 are required to qualify for 3 family properties. Private mortgage insurance is required with a minimum down payment, and 3 percent of the down payment must be the borrower's own funds.
- EBSB FXHB 5/3 ARM - Also a 5-year fixed rate mortgage that converts to a 3-year ARM. This program is available for properties located in East Boston, Revere, Winthrop, Saugus, Peabody, and Lynnfield, and there are no income restrictions. The minimum down payment is 5 percent and 3 months of Private Mortgage Insurance (PMI) reserves are required. The down payment and the reserves must come from the borrower's own funds. Borrowers are charged ½ of a point and housing and debt-to-income ratios are 28/36. The maximum loan amounts are similar to the Plan 3 and Plan 5 programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

- EBSB FTHB 100 - Also a 5-year fixed rate mortgage that converts to a 3-year ARM. This program is available on owner-occupied properties located in East Boston, Revere, Winthrop, Saugus, Peabody, and Lynnfield, and Melrose. There are no income restrictions. There is no minimum down payment required. Housing and debt-to-income ratios are 33/38 percent and the borrower must have a minimum FICO score of 660. The borrower must have 2 months of principal, interest, taxes and insurance (PITI) in reserves from their own funds.
- EBSB Fixed Rate Bi-weekly FTHB – This is a 30-year bi-weekly fixed rate mortgage product. The program is offered on properties located in Suffolk, Essex, and Middlesex counties. The minimum down payment is 5 percent, with 0-3 points charged. Housing and debt-to-income ratios are 33/38 for 1-2 family properties and 28/36 for 3-family properties. Qualified borrowers must have \$1,500 in reserves and 3 percent of the down payment must be the borrowers' own funds. Automatic withdrawals from an East Boston Savings Bank account are required. Maximum loan amounts are \$359,650 for single family/condo properties and \$460,400 for 2-3 family properties.

Mass Housing - Take the "T" Home Program – The Bank originated 27 loan totaling \$6,792,825 through this program. Fourteen of the originations occurred in 2005. This program is available to eligible demonstrated users of public transportation offered by the MBTA throughout their service area, including bus, subway, commuter rail, and commuter boats. Verification is required from the employer that the borrower has been a participant in an employer sponsored pass program for the past year. Properties must be owner-occupied and borrowers may borrow up to 100 percent of the value for single family homes and condominiums, and up to 97 percent for 2, 3 and 4 family properties. The qualifying maximum income is 135% of the HUD median income of the subject property's community. Maximum housing and debt-to-income ratios are 38/45 percent and no reserves are required for single family residences, while two months PITI reserve is required for 2-4 family properties. Interest rates on these loans are typically ¼ percent less than current market rates.

Mass Housing – Live Where You Work Program – East Boston Savings Bank originated 11 loans totaling \$2,968,750 through this program for the time period covered. The program offers 100 percent financing on single family residences and 97 percent financing on 2-4 family properties. To qualify, one borrower must be a municipal employee in the city or town in which they are purchasing the property. A minimum credit score 620 and a minimum of \$500 or 1 percent of the sales price is required of the borrower. Flexible underwriting guidelines such as 41/41 percent housing and debt-to-income ratios are allowed on single family residences and condominiums.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

MassAdvantage – East Boston Savings Bank originated 6 loans for a total of \$1,541,043 through this loan program during the evaluation period. This program offers borrowers a 30-year fixed rate mortgage at below-market interest rates for the purchase of a condominium or a 1-4 family property. Relaxed underwriting guidelines, lower borrower contributions, and mortgage insurance through the Mortgage Insurance Fund (MIF) are all features of this program. Financing up to 97 percent loan-to-value is available.

MassAdvantage - Lower Income – East Boston Savings Bank originated 14 loans totaling \$3,737,343 during the evaluation period. This program offers similar features to those of the MassAdvantage program, though the maximum qualifying income is 80 percent of the median family income of the town or city in which the subject property is located. Discounted interest rates and reduced mortgage insurance premiums are available for borrowers who meet the income guidelines of this program.

MassAdvantage100 – The Bank originated 4 loans totaling \$835,170 during the evaluation period. This program combines a 97 percent first mortgage financed by Mortgage Revenue Bonds with a 3 percent second mortgage financed directly by MassHousing, both of which are amortized over 30 years. Borrowers are required to pay one point at closing, unless the borrower is a low-income individual, in which case the point is waived. Homebuyer counseling is required for this program. Borrowers are required to make monthly payments only on the 97 percent mortgage unless the loan is paid off within the first five years. If the 3 percentage mortgage is paid off after the first five years of the loan, only the principal balance is due.

VI. Fair Lending Policies and Practices

East Boston Savings Bank's fair lending policy and procedures are comprehensive in nature and address specific areas such as staff training, fair lending procedures, a loan application and an evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, Equal Credit Opportunity Act, the Consumer Protection Act, and the Community Reinvestment Act.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance. Fair Lending training was held in 2003 for all lending personnel. Fair lending training was also provided to all residential and consumer loan personnel in June 2005 and to the Board of Directors in May 2005.

All loan applications that are slated for denial by the loan officer or underwriter will undergo a second review. Another loan officer will conduct the second review. Two signatures on the underwriting sheet will evidence the second review process. The second review is applied to all types of loans, including commercial, residential, and consumer.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

The Bank's Compliance Officer conducts an annual audit of the Bank's fair lending performance. All the audit reports are submitted to management and the Board of Directors.

Minority Application Flow

East Boston Savings Bank's assessment area contains 216,882 individuals, of which 36,834 or 16.9% are minorities. The assessment area's minority population is as follows: 0.1% Native American; 2.6% Asian; 1.6% Black; 10.2% Hispanic; and 2.3% Other based on 2004 demographic data.

A review of residential loan applications was conducted in order to determine the number of applications the Bank received from minorities during the examination period. The Bank received 134 residential loan applications from minority applicants within its assessment area, or 11.3 percent of the total amount of applications from within the assessment area. Of the 134 applications received, 89 or 66.4 percent resulted in originations and 18 or 13.4 percent were denied. Refer to the following table for further details.

MINORITY APPLICATION FLOW								
RACE	EBSB 2003		EBSB 2004		EBSB YTD 2005		EBSB TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	0	0.0	9	3.0	3	1.6	12	8.9
<i>Asian</i>	11	1.6	5	1.7	3	1.6	19	14.2
<i>Black</i>	3	0.4	2	0.6	0	0.0	5	3.8
<i>Hawaiian/Pac Isl.</i>	-	-	3	1.0	4	2.1	7	5.3
<i>Hispanic</i>	52	7.5	18	6.0	11	5.8	81	60.5
<i>Other</i>	8	1.1	-	-	-	-	8	5.9
<i>2 or more Minority</i>	-	-	-	0.0	0	0.0	-	-
<i>Joint Race</i>	-	-	-	0.0	2	1.0	2	1.4
Total Minority	74	10.6	37	12.3	23	12.2	134	11.3
<i>White</i>	607	86.8	250	83.0	155	82.0	1,012	85.1
<i>Not Provided</i>	11	1.6	-	-	-	-	11	0.9
<i>NA</i>	7	1.0	14	4.7	11	5.8	32	2.7
Total	699	100.0	301	100.0	189	100.0	1,189	100.0

*Source: CRA Wiz Software.

East Boston Savings Bank's minority application flow in 2003 and 2004 was also compared to all other HMDA reportable lenders accepting applications from within the Bank's assessment area. The Bank falls slightly below the aggregate in applications from minority individuals. Refer to the following table to observe how the Bank compared to the aggregate in 2003 and 2004.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Race	Aggregate Data %		East Boston Savings Bank %	
	2003	2004	2003	2004
<i>Native American</i>	0.3	0.5	0.0	3.0
<i>Asian</i>	1.6	1.8	1.6	1.7
<i>Black</i>	0.9	1.8	0.4	0.6
<i>Hawaiian/Pacific Islander</i>	N/A	0.3	N/A	1.0
<i>Hispanic</i>	6.7	10.1	7.5	6.0
<i>Other</i>	2.2	0.6	1.1	-
Total Minority	11.7	15.1	10.6	12.3
<i>White</i>	66.9	57.3	86.8	83.0
<i>Not Provided</i>	15.7	27.6	1.6	4.7
<i>Not Applicable</i>	5.7	-	1.0	-
Total	100.0	100.0	100.0	100.0

2003 & 2004 CRA WIZ Data

While the Bank falls below the aggregate in applications it compares favorably in the percentage of origination and denial rates. The Bank's origination rate averaged approximately 66 percent while the aggregate average was approximately 58 percent. The Bank's average denial rate of minority applications was approximately 13.4 percent while aggregate denial rates averaged approximately 21.5 percent. Overall, the Bank's level of minority applications and originations appear reasonable.

VII. Loss of Affordable Housing

East Boston Savings Bank's development of credit products with flexible lending criteria, community development lending, and participation in flexible lending programs has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, EBSB has demonstrated a high level of responsiveness to the assessment area's credit needs. The loans are well distributed throughout the communities in its assessment area, particularly within low- and moderate-income geographies. The Bank's lending also demonstrates an excellent distribution of loans among individuals of different income levels and performance is considered good for lending to businesses of different sizes. The Bank's community development lending is considered to be adequate. The institution has offered a high level of innovative and flexible lending products. In addition, the Bank's fair lending practices and procedures were also found to be adequate at this time. Therefore, the institution's lending performance receives an overall rating of "Outstanding".

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

INVESTMENT TEST

The Investment Test evaluates the Bank's record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the Bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community development purposes include 1) providing affordable housing for low- or moderate-income individuals or areas, 2) providing community services targeting low- or moderate-income individuals or areas, 3) promoting economic development by financing small businesses, or 4) revitalizing or stabilizing low- or moderate-income geographies. Investment performance is evaluated based on the level, innovativeness or complexity, and degree of responsiveness to community needs.

The institution's Investment Test performance was rated an overall "Satisfactory." This rating is based upon the level of qualified investments and the degree of innovativeness and complexity of those investments. Management has maintained the same level of qualified equity investments since the previous evaluation despite significant increases in the Bank's securities portfolio. Management has increased the dollar amount of qualified charitable grants and contributions.

Equity Investments

Massachusetts State Housing Finance Agency (MHFA) – Single Family Housing Notes

MHFA is a state agency of the Commonwealth of Massachusetts (the "Commonwealth") established by Chapter 708 of the Acts of 1966, as amended, to increase the supply of multi-family, residential rental housing and owner-occupied, single-family housing in the Commonwealth.

In June of 2005, the Bank invested \$988,760 to purchase a short term \$1,000,000 housing bond issued by MHFA to finance its Home Ownership Program (the "Program"). The Program includes a variety of lending programs designed by MHFA to address specific housing needs in the Commonwealth for the acquisition, construction, rehabilitation or improvement of owner-occupied housing for persons and families of low- and moderate-income. This particular bond supports the development of single family homes to be made available to low- and moderate-income families. The bond matures December 1, 2006 and has a current book value of \$990,900.

Charitable Contributions and Grants

East Boston Savings Bank has made qualified contributions and grants during the current examination period totaling approximately \$215,150 which represents 52.4 percent of all the donations. The total amount of all contributions that the Bank made during this evaluation period is \$411,000. Qualified contributions went to organizations that promote economic development within low-and moderate-income communities and

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

INVESTMENT TEST (CONTINUED)

that provide services to low-and moderate-income individuals and families within the Bank's assessment area or broader statewide or regional area.

Most of the grant funding comes through the Meridian Charitable Foundation (or the "Foundation"). In 1998, with an initial funding of \$750,000, East Boston Savings Bank established the Foundation through its parent company, Meridian Financial Services, Inc. Through a transfer of stock in August of 2004, the Bank increased the principle base of the Meridian Charitable Foundation to \$1 million. The Foundation was established to provide charitable organizations serving the Bank's assessment area and other North Shore communities with grants. Each year, the interest earned from the initial investment provides a pool of money to be distributed among qualified organizations. Award applications must be completed, and organizations applying for grant money must be designated by the state of Massachusetts as a charitable corporation. In order to serve as many organizations as possible, the maximum grant amount is \$5,000. As required by law, the Foundation must contribute at least 5 percent of the fair market value of its assets on an annual basis.

The annual breakdown of qualified donations made by the Bank and the Foundation is as follows:

Year	Total Qualified Donations
	\$
2002	\$39,775
2003	\$45,650
2004	\$61,275
YTD 2005	\$68,450
Total	\$215,150

Source: Internal Bank Records as of September 30, 2005

The following are examples of organizations that have received grants and contributions through the Bank:

American Red Cross – The Bank matched, dollar-for-dollar, contributions to the American Red Cross made by employees in support of Hurricane Katrina relief efforts in Louisiana.

Citizens for Adequate Housing - This non-profit organization supports the needs of low-and moderate-income individuals in the North Shore area by developing and operating affordable rental properties and shelters for homeless families. East Boston Savings Bank contributed in 2003, 2004, and 2005 in support of the organization's capital campaigns.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

INVESTMENT TEST (CONTINUED)

East Boston Summer Youth Program - Through this program, low-and moderate-income youth primarily from East Boston are provided enrichment activities such as crafts, games, and outdoor sports as well as free daily meals. The Bank made contributions in each year of the review period.

YMCA of Greater Boston - The YMCA of Greater Boston is currently serving the East Boston community out of a small, rented location, and has engaged in a capital campaign to construct a \$3,500,000 facility in East Boston that will include: childcare, a youth center, a health and wellness facility, and a community center. In 2004, East Boston Savings Bank pledged \$25,000 for the construction of the East Boston YMCA that is payable in five annual increments.

Meridian Charitable Foundation

Of the previously mentioned qualified donations, \$33,000, \$28,000, \$36,000, and \$43,802 were made through the Foundation in 2002, 2003, 2004 and 2005, respectively. Furthermore, each of the grants made through the Meridian Charitable Foundation were qualified donations under CRA. The following provides a representative sample of qualified donations made by the Foundation during the evaluation period:

Citizens for Adequate Housing – This non-profit organization located in Peabody provides emergency and permanent housing for homeless parents and children. For over 5 years, the organization's Communities Land Trust program has worked to provide permanent affordable apartments for homeless families. The Bank provided a donation in 2003, 2004, and 2005; supporting the Transition Rooms program and funding such initiatives as imperative repairs and replacing bedroom furniture and linens at The Inn Between.

East Boston Harborside Community School Council, Inc. - The council has offered educational programming to underserved adults and children in East Boston for over 17 years. The Bank contributed in 2004 which helped the efforts to implement free daytime adult GED, ESL, and computer educated courses.

HarborCOV (Communities Overcoming Violence) - This organization provides linguistically and culturally appropriate emergency and support services for women and their children who are the victims of domestic violence in the communities of Chelsea, East Boston, Revere, and Winthrop. HarborCOV serves nearly 3,000 women and children through its hotline, shelter, advocacy and community programs. The Bank's contribution in 2004 and 2005 was used for the expansion of the organization's supportive services for victims of domestic violence, as well as their capacity to serve immigrants and refugees.

For Kids Only After School, Inc. (FKO) - For over 20 years, this organization has served children in kindergarten through eighth grade at one of five program sites located in Winthrop and Revere. Over 300 children receive services through FKO; of which, approximately 70 percent are from low-income families. East Boston Savings Bank contributed in 2005 towards the purchase of equipment to create an education resource center at the FKO's Broadway After school program in Revere.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

INVESTMENT TEST (CONTINUED)

Crossroads Family Shelter - This is a non-profit organization that provides transitional shelter for low-income or homeless families. Additionally, one of the organization's locations includes a food pantry that distributes free groceries to 30-45 low-income or homeless families in the community twice a week. The Foundation made grants in 2003 and 2004 for capital improvements, repairs, and general support of the organization's food pantry, Our Daily Bread.

In-kind Contributions

In addition to the qualified donations mentioned above, East Boston Savings Bank donated eleven cellular telephones to Verizon Wireless for distribution to "at-risk" individuals for emergency purposes; as well as three computers to the after school Kids Club team that provides after school activities primarily to low-income children. The Bank also routinely provides meeting space for area non-profit organizations.

Other Investments

Access Capital Strategies Community Investment Fund ("ACSCIF")

East Boston Savings Bank purchased the ACSCIF equity investment in 2001, during the previous CRA evaluation period. Although this investment was given consideration during the previous examination, the Bank maintained this fund in its securities portfolio through year-ends 2002 and 2003. The Bank redeemed its shares in the ACSCIF on February 27, 2004.

The ACSCIF is an SEC-registered fund structured as a business development corporation. The primary purpose of the fund is to provide a secondary market and financing vehicle for community development loan originators. The fund invests in private debt securities that support education, small business loan securities, affordable housing, and other job creating investments within a target region specified by the investing institution. As of December 31, 2002, and December 31, 2003, the net asset value of the common shares of the ACSCIF investment totaled \$1,095,320 and \$1,143,233 respectively.

CONCLUSION (Investment Test)

As depicted above, East Boston Savings Bank has an adequate level of qualified community development grants, and has exhibited an average responsiveness to credit and community economic development needs based on the opportunities in the assessment area. Therefore, the Bank's investment performance is rated Satisfactory.

Additionally, qualified donations made directly through the Bank represent .1 percent, .2 percent, .3 percent, and .4 of pre-tax net operating income in 2002, 2003, 2004 and through the third quarter of 2005, respectively; thus further demonstrating the Bank's consistently increasing trend of making qualified charitable donations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. East Boston Savings Bank's service activities are rated Outstanding.

The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low and moderate-income geographies or that primarily serve low or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low, moderate, middle, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

Retail Banking Services

The effectiveness of a Bank's system for delivering retail banking services is determined by analyzing the accessibility of delivery systems, changes in branch locations and the reasonableness of business hours. Overall, the Bank's retail banking services are geared to address the needs of all residents within the assessment area, including low-and-moderate income individuals.

Distribution of Branches

East Boston Savings Bank has ten locations; nine are full service branches including the main office and one loan and mortgage center. Based on the updated 2004 MSA census tract designations, the mortgage loan center is located in Lynnfield which is an upper-income census tract. The Bank has three branches in East Boston located in moderate income census tracts. The remaining branches are located in Peabody (1), Revere (1), Winthrop (1), Melrose (1) and Saugus (2); they are designated as middle-income census tracts. Nine of the branches have 24-hour night depository services.

The Bank's hours of operation are reasonable and compare favorably with other local financial institutions. All of the branches are open Monday through Friday and offer extended hours on Friday, closing at 7:00 pm. Eight of the branches are open on Saturday from 9:00 am to 12:30 pm and six branches have drive-up window service available for customer convenience.

Consumer and home equity loans and lines of credit applications are taken at all offices. Branch personnel refer all applicants applying for a home purchase loan or refinance loan to the Bank's loan originators who will either meet the applicant at a location convenient to them, at the loan production office or at any nearby branch.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

Bilingual employees are available at all locations. Signs located on desks or at teller stations easily identify bilingual staff. Languages spoken include Italian, Spanish, Portuguese, Cantonese, Toisinese, Tagalog, Cambodian, French, Vietnamese, Arabic, Chinese, Japanese, Bosnian, Croatian, and Serbo-Croatian. A complete list of bilingual employees is maintained at each office.

Record of Opening and Closing Branches

A Branch Closing Policy is maintained by the Bank and reviewed and approved by the Board of Directors on an annual basis. This policy outlines procedures to be followed should the decision be made to relocate or close an office. Since the previous examination, East Boston Savings Bank has closed the North End Loan Center in Boston, and one branch location, the Shaw's Supermarket branch, which was in a low-income census tract in East Boston. This branch was closed because growth expectations were not met after a period of five years. In the continuing effort to expand its branch network, East Boston Savings Bank has opened two new branches one is in a middle-income census tract located in Peabody and the second is in a middle-income census tract located in Melrose. The Peabody office includes the operations center, executive offices, and a full-service branch with a drive-up window and ATM. The Melrose office is a full service branch with a drive-up window and 24-hour ATM with night depository services.

Alternative Retail Banking Services

- Automated Teller Machine (ATM) Service: Each full service branch maintains a 24-hour ATM. The Bank also has three free standing non-deposit ATMs two of which are located in East Boston and one which is located in Winthrop. One of the East Boston ATM's is located in the Logan International Airport, a middle-income tract, and was placed there in June of 1998. The second is located in Day Square a moderate-income tract. In addition, the third free standing ATM is located in the Winthrop Market, within a middle-income census tract in Winthrop. ATM cards are available for use at all Cirrus and NYCE network ATMs without surcharges. East Boston Savings Bank is a member of the SUM alliance. This service allows the Bank's customers surcharge-free use of ATMs operated by other SUM member institutions.
- Automated Telephone Banking (Bank LINE): By utilizing the telephone banking system, customers can access their accounts, obtain balance inquiries, transfer funds from one account to another, and obtain current interest rate information. This service is available to all customers 24 hours a day, 7 days a week in English and Spanish.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

- Electronic Banking (EBSB Online-www.ebsb.com): Customers are able to, among other services, view account balances and transaction details, schedule transfers between accounts, make bill payments and view cancelled checks. The Bank also introduced online mortgage lending utilizing Mortgagebot. A dedicated “Cyber lender” has been assigned to this service, which allows customers to conduct a variety of mortgage related inquiries and functions. Electronic banking is available to customers 24 hours a day, 7 days a week.
- Bank by Mail Services: East Boston Savings Bank opens checking accounts for residents of Massachusetts and also accepts other deposit accounts from anywhere in the United States of America. The Bank now also actively solicits the initiating of account opening over the telephone with final account opening being done via mail.

Other Retail Services

Massachusetts Community and Banking Council's (MCBC) Basic Banking Program. This program was launched in 1994 by the MCBC to expand access to bank products and services and to encourage those with modest incomes to establish banking relationships. The Bank offers a Regular Savings and Basic checking account that meet the program's guidelines.

East Boston Savings Bank continues to offer an ETA Account for customers who receive a federal benefit, wage, salary, or retirement check and have a derogatory NCPS or ChexSystems report that prevents them from opening a traditional East Boston Savings Bank deposit account or checking account at another financial institution. This account requires direct deposit of the federal funds, but does not require a daily minimum balance or minimum to open. The monthly fee is \$3.00, which allows 4 free “on-us” transactions. The ETA account provides banking services to a segment of the population who might otherwise find it difficult to maintain an account due to poor account history. The federal government sends a list of participating ETA banks to recipients of the above mentioned funds to let them know about the service.

A direct deposit of public Benefits Checks Program is also available. East Boston Savings Bank encourages participation in this program. Their low-income customers who receive their checks in this manner reduce the risk of lost or stolen checks; begin earning interest immediately, and have instant access to their funds.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

In 2004, the Bank began offering a new Credit Builder program geared toward helping customers establish a credit history. Customers who have no credit experience or have bad credit can start building a credit history through this unique installment collateral loan.

The Bank's systems for delivering retail services are readily accessible to the consumers within its assessment area. Retail banking services, products and alternatives offered by the Bank give consumers flexibility and convenience to conduct their banking transactions.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. The institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

East Boston Savings Bank's officers and employees are primarily involved with community organizations that address economic development within its assessment area. The Bank's staff also participates in programs that promote affordable housing and services for low and moderate income residents. Through these involvements, the Bank's staff lends their technical expertise, experience, and judgment to these organizations. Detailed below are some of the Bank's qualified community development services.

- Revere Economic Development: One of the Bank's employees is an active member of this organization. This organization was developed to promote economic development projects for the City of Revere.
- East Boston Social Center: The Bank's residential loan officer of the Revere and Central square branches is a member of the board and speaks both English and Spanish. This social service organization provides educational, social and recreational services to meet the needs of children, family and senior citizens of East Boston and surrounding communities.
- Citizens for Adequate Housing: The Bank's Assistant Vice President of Mortgage Lending is a board member. This organization, located in Peabody, runs two homeless shelters on the north shore and raises funds in order to purchase multi-family properties which they make available for low-income rental to their residents as they transition from homelessness.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

- Crossroad Family Shelter: This is a family shelter that provides temporary housing services for homeless families. The shelter also operates a food pantry that feeds many families in East Boston and provides clothing from donations. Crossroads serves homeless families from East Boston, metropolitan Boston and local surrounding communities. Families receive supportive services which include counseling, advocacy, education and training on issues such as parenting skills and early intervention, budgeting skills, nutritional management, job and housing advocacy. Several Bank employees are involved with the collection and distribution of the food.
- Chambers of Commerce: Many Bank executives and employees serve on the Chambers of Commerce in East Boston, Melrose, Medford, Reading, Peabody, Revere, Saugus, Stoneham, and Winthrop. The organizations were established to promote local businesses, and economic development. Many of the Bank's employees hold a leading position in these organizations such as Treasurer, Secretary, and executive director.
- Federal Home Loan Bank: The Bank's President and Chief Operating Officer are on the board and the Bank's President serves as director of the affordable housing loan program. The group provides programs for affordable housing and community development projects at favorable rates to its member banks or direct subsidiaries to CDC's.
- Mass Housing Finance Agency: This organization's mission and focus is to finance affordable housing units which are targeted to low and moderate income individuals. A member of the Bank's senior management is on the lender advisory committee.
- North Shore Community College: The Executive Vice President Senior Loan Officer serves as the Vice Chairman on the finance committee and Chairman of Trustees of this organization. This organization helps provide educational opportunity for low-moderate income, entry-level students.
- East Boston Economic Development Council: The Executive Vice President-Senior Loan Officer is an active participating member of this council. It is set up for the economic development and revitalization of the community. They also serve as educators for small businesses in the surrounding areas.
- North Suffolk Mental Health Assoc.Inc.: This is a non-profit organization who services individuals and families with emotional difficulties, mental illness and disabilities. This organization serves East Boston, Chelsea, Winthrop and Revere.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

In addition to the above noted organizations, the Bank is also actively involved in the Rotary Clubs in several communities within its assessment area. Other organizations that officers and employees lend their technical expertise to include the YMCA of greater Boston; United Way; Salesian Boys and Girls Club; Blue Line Remodeling of Maverick Square; Boston Partners in Education; East Boston Community Development Corp.; East Boston Healthy Coalition; East Boston Neighborhood Health Center; East Boston Main Streets AKA East Boston Gateway; Kiwanis Club; and several other civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Services and Seminars

Prevention of Financial Exploitation of the Elderly Program

The Bank participates in a Massachusetts Bankers Association (MBA) program designed to help protect the elderly from financial exploitation and abuse. This MBA initiative consists of:

- a) a consumer education brochure entitled "Beware of Easy Credit";
- b) the creation of a foreclosure prevention counseling program with the National Consumer Law Center;
- c) a collaboration with the Massachusetts Community and Banking Council on a public awareness campaign on lending scams and;
- d) The development of industry guidelines for sub prime mortgage lenders.

All Bank employees have been trained on procedures to follow in the event that they suspect an exploitative situation is occurring.

Homebuyer Seminars and Events

During 2002, the Bank conducted and participated in seven homebuyer seminars and workshops throughout its assessment area. In February 2003, the Bank conducted a MassHousing Seminar for realtors at their office. In 2004, East Boston Savings Bank mortgage officers each held two Home Buyer Expos, offsite. One was in East Boston and one in Lynnfield. Information on various loan products was available as were industry exhibitors.

Business/Commercial Events

The Bank participated in the Small Business Expo held at the Enterprise Center at Salem State College in June. The event focused on bringing together small business professionals to access resources they need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

Teach Children to Save Program

“Bank on your Future” an American Bankers Foundation Teach Children to Save program was piloted over a four week period to 6th graders of the Paul Revere Elementary School located at 395 Revere Street, Revere. Although piloted to 6th graders, this program was designed to introduce students in grade 5 to goal setting, establishing priorities, and saving. The activities helped students recognize the importance of saving for anticipated, as well as unexpected expenses. Students learned to prepare personal budgets and savings plans. Upon completion of the 40-minute sessions, students received a certificate of recognition, a gift and a \$5.00 coupon to open a savings account at East Boston Savings Bank.

Money Smart Program

In November of 2004, East Boston Savings collaborated with local banks to offer the FDIC Money Smart Program at North Shore Community College. The 10-topic program is available in English and Spanish. Participants attended 5 sessions hosted at North Shore Community College’s Danvers and Lynn campus during the 2005 spring season. A collaborative effort of notifying the community of this banking course began at the end of December, 2004 and the beginning of January, 2005 from donations of \$1,000 from nine participating branches. East Boston Savings Bank’s Senior Executive Vice President and CRA Officer organized this consortium of several local banks to fund, organize, and serve as teachers. The Senior Executive Vice President and CRA Officer of the Bank agreed to serve as the co-leader of the Boston New Alliance Task Force’s Financial Education Working Group. Bank executives have taken a leadership initiative in this program and use their banking expertise to educate others.

Conclusion Service Test

As depicted above, East Boston Savings Bank's systems for delivering retail banking services are accessible to geographies and individuals of different income levels in its assessment area. The Bank's officers and employees have provided an outstanding level of service activities and involvement in community organizations primarily for community development purposes and related to the provision of financial services. Many of the organizations that Bank management and employees have taken a leadership role in promote economic development or target the revitalization of business communities. Bank management and staff have sponsored and participated in numerous educational seminars. Therefore, East Boston Savings Bank's service activities receive a rating of “Outstanding”

APPENDIX A

SCOPE OF EXAMINATION

East Boston Savings Bank's assessment area is defined as 9 cities and towns located within the Boston-Quincy and the Essex County, MA MSA. The institution's CRA performance was reviewed using the large bank examination procedures. The time period covered in this examination was January 1, 2003, through June 30, 2005, using available data.

All HMDA-reportable loans recorded on the 2003, 2004 and Year-to-date June 30, 2005 Loan Application Registers were included in the evaluation of the Bank's lending performance. In addition, all loans recorded on the 2003, 2004, and Year-to-date June 30, 2005 Small Business Loan Register (as defined under the data collection requirements of the CRA regulation) were included in the evaluation of the Bank's lending performance.

Community development loans originated since the previous January 2002 evaluation were given consideration.

Qualified investments from the previous evaluation were also reviewed.

In addition, the Bank's systems for delivering retail banking services and the provision of service activities primarily for community development purposes and related to the provision of financial services were considered.

This examination also included a review of the Bank's Public File, which contained no negative CRA-related comments.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 67 Prospect Street, Peabody, Massachusetts, 01960."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.